

**PUBLIC DISCLOSURE**

FEBRUARY 6, 2006

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**EAST BRIDGEWATER SAVINGS BANK**

**29 BEDFORD STREET  
EAST BRIDGEWATER, MA 02333**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **EAST BRIDGEWATER SAVINGS BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Based on five criteria specified for institutions with assets under \$250 million, East Bridgewater Savings Bank's overall CRA performance is considered Satisfactory.

The Bank's loan-to-deposit ratio stood at 25.3 percent as of December 31, 2005, and has averaged 26 percent over the last 8 quarters. These figures would normally reflect performance levels that do not meet the standards for satisfactory performance. However, there are factors present that serve to mitigate the affect on the overall rating of the institution.

Mortgage loan data for calendar years 2004 and 2005, indicates that East Bridgewater Savings Bank originates the majority of its residential mortgages within the assessment area. The Bank meets the standards for satisfactory performance in this category.

Low- and moderate-income families represent 29.4 percent of total families in the assessment area. The Bank's performance in lending to borrowers of different income levels is considered to be reasonable when compared to aggregate data and the distribution of low- and moderate-income family households.

The Bank's assessment area has no low- and moderate-income census tracts. However, 11 of the census tracts are middle-income, and 3 are upper-income. Based on the analysis of the geographic distribution of loans within each locality, aggregate data, and the distribution of owner-occupied housing units within these geographies, the Bank's performance is considered satisfactory.

Finally, based on a review of the Bank's CRA-related complaint file and fair lending policies and practices, no evidence of any discriminatory practices was noted.

## PERFORMANCE CONTEXT

### Description of Institution

East Bridgewater Savings Bank is a state-chartered bank incorporated under the laws of the Commonwealth of Massachusetts in 1870. The Bank's headquarters is located at 29 Bedford Street in the Town of East Bridgewater. This location is situated within a middle-income census tract. This office has an automated teller machine ("ATM") that provides 24-hour service. The Bank also has two full-service branch locations in the Town of Hanson at 620 County Road and in the Town of Pembroke at 115 Center Street. All bank offices are located in middle-income census tracts. Each office provides 24-hour ATM service. The ATMs are connected to the Cirrus and NYCE networks. In addition, the Bank is a member of the SUM network, which is a surcharge-free alliance of several financial institutions that include over 1,200 ATMs throughout Massachusetts. The Bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo. The ATMs are also linked to major credit card networks for additional customer convenience.

Bank services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the Bank's assessment area. Business hours for all banking offices are from 9:00 a.m. to 3:00 p.m. Monday, Tuesday and Wednesday with extended hours on Thursday to 5:30 p.m. and Friday to 6:30 p.m. Drive-up teller service is provided at each office location and is open half an hour earlier than regular banking hours on weekdays. All full service offices provide business hours on Saturday from 9:00 a.m. to 1:00 p.m.

The Bank faces competition from other institutions that operate within the assessment area. Other participants within the Bank's competitive mortgage market include large national and regional lenders such as Countrywide Home Loans, Washington Mutual Bank FA, and GMAC Mortgage Corporation.

As of December 31, 2005, the Bank had total assets of \$118.6 million. Total loans represent 20.2 percent of the Bank's total assets. The Bank is primarily a residential mortgage lender with 80.3 percent of its loan portfolio comprised of residential loans. Loans on nonfarm nonresidential properties represent 13.6 percent of the total loan portfolio. The following table provides detail of the remaining loan portfolio.

Loan Distribution as of December 31, 2005		
Loan Type	Dollar Amount \$(000)	(%)
Secured by:		
Construction and Land Development	292	1.2
1-4 Family Residential Properties	19,933	83.2
Multi Family (5 or more) Residential Properties	0	
Nonfarm Nonresidential Properties	3,251	13.6
Commercial and Industrial Loans	56	0.2
Consumer Loans	423	1.8
Other		
Less: Unearned Income		
	23,955	100.0

Source: Report of Condition

## PERFORMANCE CONTEXT (CONTINUED)

The Bank is a participant in the secondary mortgage market and sells all of its fixed rate mortgages with terms in excess of 15 years to Eastern Bank. For calendar year 2004 the Bank sold 13 loans totaling \$1,875,600. In 2005, the Bank sold 16 loans totaling \$2,855,600.

The Federal Deposit Insurance Corporation ("FDIC") last examined the Bank for compliance with CRA on August 11, 2003. That examination resulted in a rating of "Satisfactory." The Division last examined the Bank for compliance with CRA on April 3, 2000 and also accorded the Bank a CRA rating of "Satisfactory."

There are no apparent factors evident that would prohibit the Bank from helping to meet the credit needs within the assessment area.

### Description of Assessment Area

CRA requires financial institutions to define an assessment area within which its lending efforts are focused. The Division evaluates the institution's CRA performance based upon the defined assessment area.

East Bridgewater Savings Bank has defined its assessment area as the following towns: East Bridgewater, Bridgewater, Halifax, Hanson, and West Bridgewater. The 6 contiguous towns that make up the assessment area are all located in the Boston-Quincy, MA Metropolitan Division ("MD")<sup>1</sup>. The geographies that make up the assessment area are representative of 2 of the 4 income categories that define census tracts and borrowers<sup>2</sup>. These categories include low-, moderate-, middle-, and upper-income; however, there are no low- and moderate-income census tracts within the defined assessment area. The assessment area is composed of a total of 15 census tracts, with the following classifications: 11 middle-income, 3 upper-income and 1 with no income classification. This tract has no owner-occupied housing since it is comprised mainly of the Massachusetts Correctional Institute (MCI) -Bridgewater. Therefore, this census tract will not be evaluated in this CRA evaluation.

The US Department of Housing and Urban Development ("HUD") makes annual adjustments of median family income figures. The adjusted median family incomes for the Boston-Quincy MD for 2004 and 2005 are shown in the table below. Based upon the definitions of the various income levels, the adjusted figures for low-income individuals and moderate-income individuals are also indicated in the following table.

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<sup>1</sup> In 2000, the Office of Management and Budget ("OMB") published new standards for defining Metropolitan Areas. Metropolitan Statistical Areas ("MSA") are now defined in terms of whole counties. If the specified criteria are met, a Metropolitan Statistical Area containing a single core with a population of 2.5 million may be subdivided to form smaller groupings of counties. Prior to 2004 the entire assessment area was located with the Brockton MSA, with the exception of Pembroke which was part of the Boston MSA. Effective for 2004, The Brockton MSA was eliminated and the Boston MSA was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions ("MD"). The Bank's entire assessment area is now part of the Boston-Quincy MD.

<sup>2</sup> As defined by HUD Low-Income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-Income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-Income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while Upper-Income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

## PERFORMANCE CONTEXT (CONTINUED)

Annual Income		Adjusted Annual Income Levels	
Boston-Quincy MD	Amount	MD MFI*	MD MFI
		Low-income	Moderate-income
		<50%	50%-79%
Year: 2004	\$69,300	\$34,649	\$34,650-\$54,747
Year:2005	\$70,400	\$35,199	\$35,200-\$55,616

\*Median Family Income

Like much of the communities in the Commonwealth, the area's housing prices are rising. Recent statistics published by the Warren Group show that the median sales price for all types of residential housing, including condominiums, in 2005 ranged from \$277,500 in Halifax to \$355,000 in Hanson. Since 2003 home sales price have increased an average of 19.3 percent in the assessment area. Although the rate of housing cost increases have slowed down somewhat in recent months, housing costs continue to be an impediment for many individuals seeking homeownership in the area.

The majority of the assessment area's census tracts, as depicted in the table below, are distributed within middle-income tracts. The table also shows the percentage of households that reside in the various census tract categories. Information pertaining to household income levels is shown in the Performance Criteria portion of this evaluation.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
<b>Middle</b>	73.3	76.6	76.6	75.0	84.8	79.3	\$175,012
<b>Upper</b>	20.0	23.4	23.4	25.0	15.2	20.7	\$204,510
<b>NA</b>	6.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$182,846</b>

Source: 1990 U.S. Census

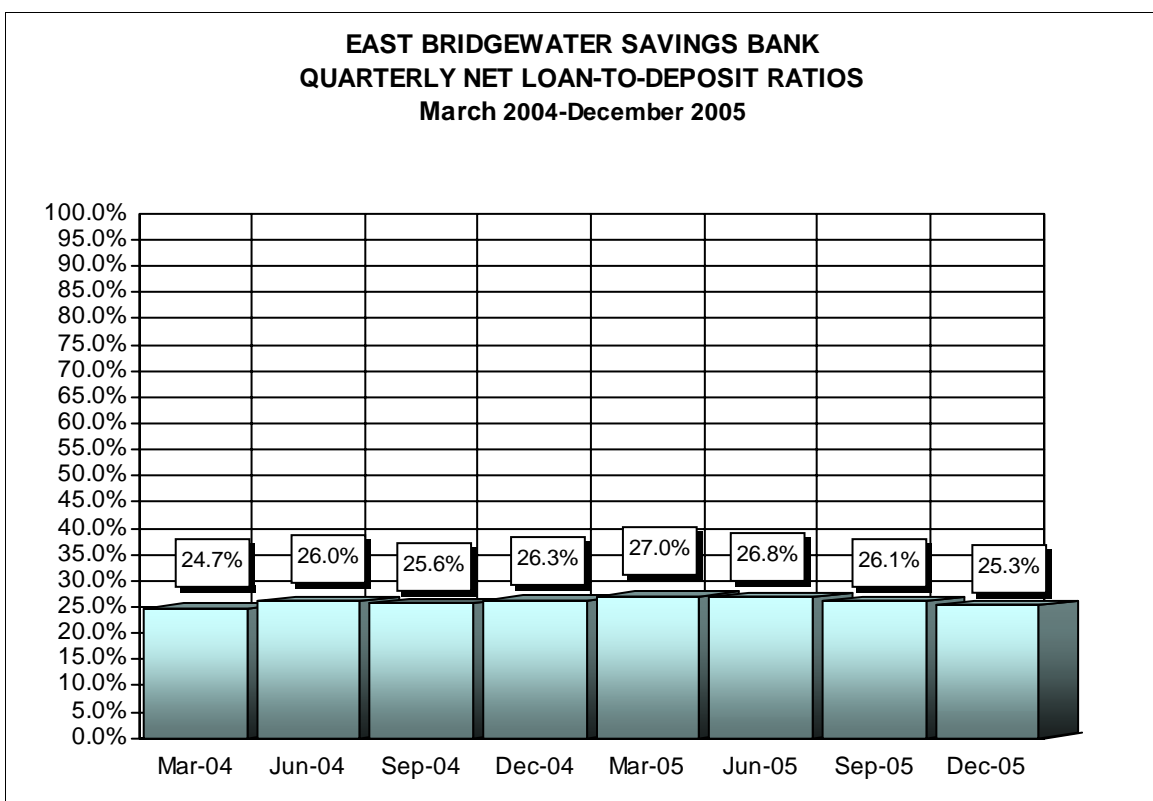
Based on the 2000 census, the assessment area has a total population of 78,715. Of the 25,933 households, 16.9 percent are low-income, 13.0 percent are moderate-income, 20.1 percent are middle-income, and 50.0 percent are upper-income. The housing stock is comprised of 26,505 units, 89.5 percent of which are 1-to-4 family, 7.2 percent are multi-family, and 3.3 percent are mobile homes. Approximately 81.8 percent of the total units are owner-occupied.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Based upon the Bank's asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio does not meet the standards for satisfactory performance.

An analysis of East Bridgewater Savings Bank's net loan-to-deposit ("LTD") ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council ("FFIEC") Call Report data for this institution. The Bank's net loans to total deposits as reported to the FFIEC were reviewed for the quarters ending March 31, 2004 through December 31, 2005. The following chart indicates that for the period reviewed, the Bank's net LTD ratios were consistently low with an average of 26 percent for the period reviewed. Call report data for this period indicates that total loan growth was not at any appreciable level during this period. Deposits for the period were relatively stable.



The lack of loan growth is attributed primarily to a small bank's inability to keep pace with larger more aggressive lending institutions. As noted in the last FDIC CRA Performance Evaluation dated August 11, 2003, in the competitive marketplace in which the Bank operates, borrowers have numerous options in terms of lenders and loan programs. An additional mitigating factor is that the Bank retains its 15 year term mortgages in its portfolio but sells its longer term 30 year mortgages after origination to Eastern Bank. This ongoing practice contributes to the Bank's traditionally low LTD. In 2004 the Bank sold 13 loans totaling \$1,874,000. In 2005 the Bank sold 16 loans totaling \$2,855,600.

## **PERFORMANCE CRITERIA (CONTINUED)**

The Bank relies on borrowing from the Federal Home Loan Bank ("FHLB") to fund much of its residential lending. Borrowings for calendar years 2004 and 2005 totaled \$3.4 million and \$4.5 million, respectively.

The Bank is a participant in the secondary mortgage market and sells fixed rate 30 year mortgages to Eastern Bank. Secondary market loan sales allows for more efficient management of the Bank's liquidity position and also makes funds available for additional lending. However, loans sold are not in the Bank's portfolio and, therefore, do not contribute to the Bank LTD ratios. These loans, while not reflected in the calculation of the Bank's LTD ratios, represent a significant level of lending, show a willingness to lend, and serve to mitigate an LTD ratio that would be considered less than satisfactory.

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Based upon the analysis of data required to be reported by the Home Mortgage Disclosure Act ("HMDA"), the Bank's level of lending within the assessment area meets the standards for satisfactory performance.

HMDA-reportable residential loans were used to compare the institution's level of lending activity inside and outside the assessment area. These loans consisted of first and second mortgages and home improvement loans on one to four family properties. Refinanced mortgages represented 76.1 percent of total loans on residential properties.

According to the institution's HMDA data, the Bank originated 83 loans in the two year period reviewed. Of this total, 55 loans were originated inside the Bank's assessment area representing 66.3 percent of the total number, or 65.2 percent of the total dollar volume of \$10.8 million. The Town of East Bridgewater accounted for 29 percent of the total number and 28 percent of the total dollar volume. Pembroke and Bridgewater were next with 14.4 percent and 8.4 percent of the total number, respectively. The Towns of West Bridgewater and Halifax demonstrated the lowest incidence of activity, each with less than 5 percent in number and dollar volume each. Refer to the following table for a breakdown of loan activity by year.

<b><i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i></b>								
<b>Year</b>	<b>Inside</b>				<b>Outside</b>			
	<b>Number of Loans</b>		<b>Dollar in Loans (000s)</b>		<b>Number of Loans</b>		<b>Dollars in Loans (000s)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2004</b>	32	64.0	3,701	62.4	18	36.0	2,227	37.6
<b>2005</b>	23	69.7	3,350	68.6	10	30.3	1,536	31.4
<b>Total</b>	55	66.3	7,051	65.2	28	33.7	3,763	34.8

Source: HMDA LAR, Cra Wiz

The data presented above for HMDA-reportable loans indicate that the Bank extends the majority its loans, by number and dollar volume, within the assessment area. The overall rate of lending within the assessment area is at a reasonable level.

The Bank's lending volume during 2004 was slightly higher than 2005, mostly due to refinanced loans as a result of lower interest rates.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The distribution of residential loans to borrowers of different incomes reflects good penetration among all income levels. Based upon this analysis, the Bank's efforts meet the standards for satisfactory performance.

Further analysis of the Bank's loan data was conducted in order to determine the distribution of loans based upon the income levels of borrowers. The analysis of borrower income level was identified as the ratio of borrower income to the median family income for the assessment area towns located within the Boston-Quincy MD. The median family income is based upon estimated 2004 and 2005 HUD information for the MD.

Loans to borrowers of low- and moderate-income represented 5.5 percent and 34.5 percent of loans originated, respectively. Loans extended to borrowers with incomes within the upper-income level for the MD median family income represented the largest individual category with 40 percent of the total number for the period reviewed. Loans extended to borrowers of middle-income represented 20 percent of the total number.

The following table shows the number of loans originated and categorized by the applicants' reported income in relation to the median family income for the area in which the property is located.

<b>Distribution of HMDA Loans by Borrower Income (Number)</b>								
Median MSA Income Level	% Total families <sup>1</sup>	Aggregate* Lending Data (% of \$) 2004	Bank 2004		Bank 2005		Bank Total	
			#	%	#	%	#	%
Low	12.9	5.3	2	6.3	1	4.4	3	5.5
Moderate	16.5	20.0	11	34.4	8	34.8	19	34.5
Middle	26.1	31.8	5	15.6	6	26.0	11	20.0
Upper	44.5	28.6	14	43.7	8	34.8	22	40.0
NA	0.0	14.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>

Source: HMDA/LAR Data <sup>1</sup>2000 Census Data \*PCI Services, Inc. CRA WIZ Software

The following table shows the dollar volume of HMDA-reportable loans originated by the Bank in comparison to all other lenders who made loans within the assessment area during calendar year 2004, the latest data available for aggregate information.

<b>Distribution of HMDA Loans by Borrower Income (Dollar Amount)</b>								
Median MSA Income Level	% Total Families <sup>1</sup>	Aggregate* Lending Data (% of \$) 2004	Bank 2004		Bank 2005		Bank Total	
			\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	12.9	3.2	218	5.9	40	1.2	258	3.7
Moderate	16.5	16.8	1,146	30.9	1,115	33.3	2,261	32.1
Middle	26.1	31.2	605	16.4	880	26.3	1,485	21.0
Upper	44.5	33.5	1,732	46.8	1,315	39.2	3,047	43.2
NA	0.0	15.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>3,701</b>	<b>100.0</b>	<b>3,350</b>	<b>100.0</b>	<b>7,051</b>	<b>100.0</b>

Source: HMDA/LAR Data <sup>1</sup>1990 Census Data \*PCI Services, Inc. CRA WIZ Software

## **PERFORMANCE CRITERIA (CONTINUED)**

The results of the analysis indicated that HMDA-reportable loans originated by the Bank among low and moderate-income borrowers were proportionately higher in volume by percentage than other HMDA reporters that made loans within the assessment area. The percentage of the Bank's HMDA-reportable loans granted to low-income borrowers at 6.3 percent of the number and 5.9 percent of the dollar volume was higher than all other lenders. The lending by the Bank among borrowers of moderate-income indicated substantially higher figures in number and dollar volume than the aggregate.

Based upon the analysis of borrower income, the distribution of residential loans indicates good penetration among the different income levels.

### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The analysis of the geographic distribution of residential loans and a comparative analysis of 2004 HMDA aggregate data indicate that East Bridgewater Savings Bank's efforts meet the standards for satisfactory performance.

The following table notes the number of residential loans originated within the assessment area by census tract classification. There are no low and moderate-income geographies within the assessment area.

<b>Distribution of HMDA Loans by Income Category of the Census Tract</b>								
Census Tract Income Level	% Total Owner- Occupied Housing Units <sup>1</sup>	2004Aggregate* Lending Data* (% of #)	2004		2005		Total	
			#	%	#	%	#	%
Middle	73.3	76.2	27	84.4	18	78.3	45	81.8
Upper	20.0	23.8	5	15.6	5	21.7	10	18.2
NA	6.7	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>

Source: HMDA/LAR Data <sup>1</sup>2000 Census Data \*PCI Services, Inc., CRA Wiz Software.

As the above table shows, owner-occupied properties within the assessment area's middle-income tracts represent 73.3 percent of the total which closely mirrors the aggregate lending distribution.

### **5. REVIEW OF COMPLAINTS**

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

## **FAIR LENDING POLICIES AND PRACTICES**

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank's Fair Lending Policy addresses specific areas relating to handling complaints, reviewing denials, underwriting guidelines, monitoring compliance and services, external independent reviews, and internal and external employee training. The Bank does not market its services and products to the community through print media or any other source.

## **PERFORMANCE CRITERIA (CONTINUED)**

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved and denied residential loan application files were conducted. No discriminatory practices were noted.

The Bank currently refers delinquent members and denied applicants to the appropriate credit counseling agencies. To ensure consistency in underwriting practices the Bank's comprehensive fair lending policy and procedures have a second review process that requires that all denied residential mortgage loan applications be reviewed by the review officer who works with the Bank's credit officer and senior mortgage officer as the Review Committee, specifically to accomplish a second review of all denied loans.

The Bank's policy and procedures for completing a credit application were reviewed and no discriminatory practices were noted. The review identified no violations of the substantive provisions of anti-discrimination laws and regulations.

## **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between January 1, 2004 and December 31, 2005, the Bank received a total of 60 residential loan applications from within its assessment area. During this period, no applications were received from minority applicants.

According to 2000 Census Data, the Bank's assessment area in 2004 contained a total population of 78,715 individuals, 6.5 percent of whom are minorities. The 2004 aggregate data indicates total applications received from racial and ethnic minority applicants, at 4 percent, is at a level that more closely reflects the racial and ethnic composition of the assessment area.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (29 Bedford Street, East Bridgewater, MA 02333)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.